

Written statement from Steve Smith, Director, Department of Industrial Relations
on the Governor's Reorganization Plan Number One of March 2002.

Little Hoover Commission Hearing
March 19, 2002

The Governor's proposal to create a Labor and Workforce Development Agency consisting of Industrial Relations (DIR), Employment Development (EDD), the Workforce Investment Board (WIB) and the Agricultural Labor Relations Board (ALRB) should assist the state in more effectively targeting limited resources to maximize labor law compliance, worker health and safety and effective job training. In addition it should provide for a systematic and unified voice at the Cabinet level on workforce issues.

DIR was "established to improve working conditions for California's wage earners and to advance opportunities for profitable employment in California." This mission obviously overlaps with the charge given to EDD, the ALRB and, more recently, the Workforce Investment Board. DIR's enforcement agenda overlaps with the ALRB in rural California and with EDD's enforcement agenda throughout the state. EDD, the Workforce Investment Board and DIR all have significant occupational training programs and fund the same or similar programs. All four of the departments and boards maintain employer databases, with EDD's being the most expansive of the four.

Right now cooperation among the four is based on memorandums of understanding, in some cases statute, and in other cases, informal relationships. Given the cooperation necessary to maximize the state's impact on promoting the workforce, this is a very weak arrangement and does not contribute to a strategic or methodical use of resources.

The creation of the new Labor and Workforce Development Agency should have a significant impact in at least three areas: enforcement, training and research.

The purpose of labor law enforcement is to protect the workers (both from a health and safety and a wage perspective) and to ensure an equal playing field for law-abiding employers.

Law abiding employers should not be penalized by competitors who win an economic edge by violating the state's laws. Not surprisingly, when we find a violator, we often find the violator is ignoring several areas of the law. For instance, the agricultural employer who is violating farming health and safety standards is often making illegal cash wage payments, carries no workers' compensation coverage and does not pay employer taxes. Ensuring the various enforcement entities are not only coordinating, but sharing databases, staff allocations, discussing timing of enforcement actions, etc. will increase the

effectiveness and consequently, the reach of each individual department and board.

In the area of workforce training -- The administration currently has a task force examining training programs run by different entities in state government. A significant amount of the occupational training is handled through DIR's apprenticeship division, various programs in EDD, and the Workforce Investment Board. Currently Michael Bernick (EDD), Andy Baron (WIB), Peter McNamee (Employment Training Panel) and I meet about once every two or so weeks to better coordinate the state's resources. This kind of coordination should not be based on an ad hoc meeting, but rather emerge from a structured discussion so the staff involved can better inform their policy boards and the Governor's office. This way the state and federal dollars devoted to training can be maximized.

As the administration task force finishes its work later in the year, we expect to propose changes in the overall training effort to maximize accountability and effectiveness.

Finally in research, EDD supports a comparatively stronger research effort driven largely by federal mandates. DIR's research efforts are far smaller but less burdened by federal mandates. By layering DIR's research capabilities on the more comprehensive research base, we should be able to provide far more useful research on occupational needs and projections, labor law compliance etc.

In a globalized economic climate the most valuable resource California has is an educated, healthy and well-trained workforce. The creation of a Labor and Workforce Development Agency can maximize the state's efforts to ensure that the quality of our workforce matches our economic ambitions for the future.